



الصندوق العماني للاستثمار  
Oman Investment Fund

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**Venice, 28<sup>th</sup> June 2013**

# Sovereign Equity for Economic Development

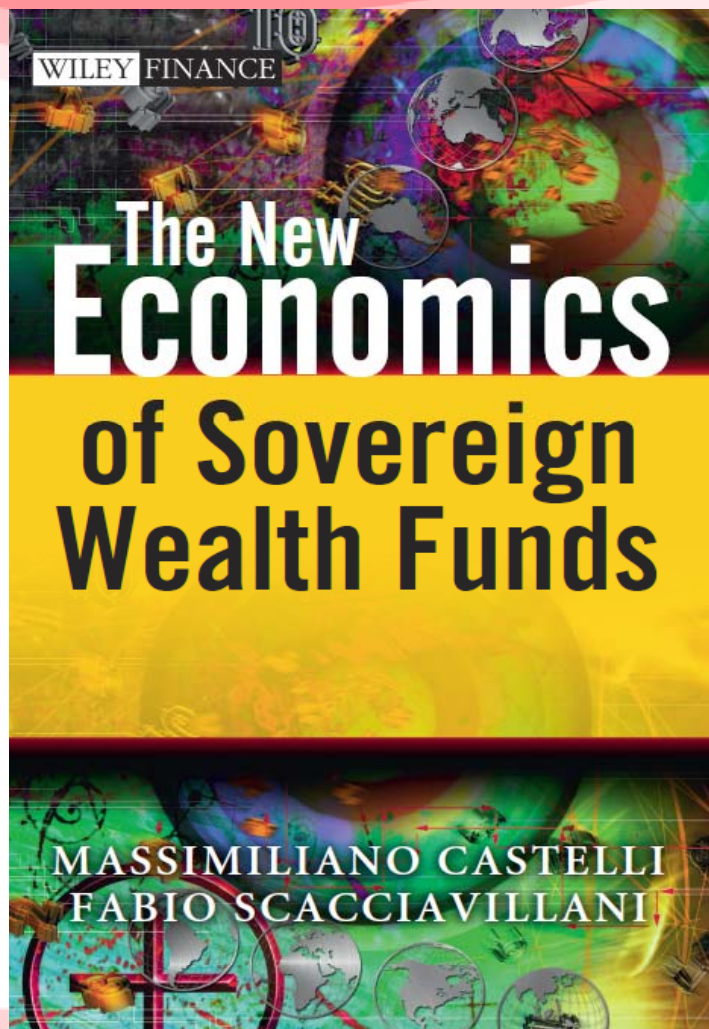
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he “ew”



The expanding role of SWF reflects a secular inversion in the distribution of global wealth

Mature economies, USA, Japan and Europe, are giving way to

- Countries with favourable demographics, such as China, India and Brazil and
- Countries with sizable natural resources such as the UAE, Norway, Australia and Russia.



# One size does not fit all

Stabilization Funds

Insulate Budget/Economy (e.g. Chile, Kazakhstan, Azerbaijan, Algeria, and Venezuela)

Savings Funds

Inter-generational transfer (e.g. Kuwait, Qatar, U.S., Alaska)

Reserve  
Investment  
Corporations

Part of Reserves; Increasing Returns (e.g. Korea)

Development  
Funds

Socio-Economic Objectives

Contingent Pension  
Reserve Funds

Finance unspecified; contingent pension liabilities of governments (Australia, New Zealand)



- IMF definition of development funds

*“help fund socio-economic projects or promote industrial policies that might raise a country's potential output growth”.*

Many states have resorted to ‘sovereign development funds’ i.e. quasi-independent investment vehicles to pursue a variety of objectives.

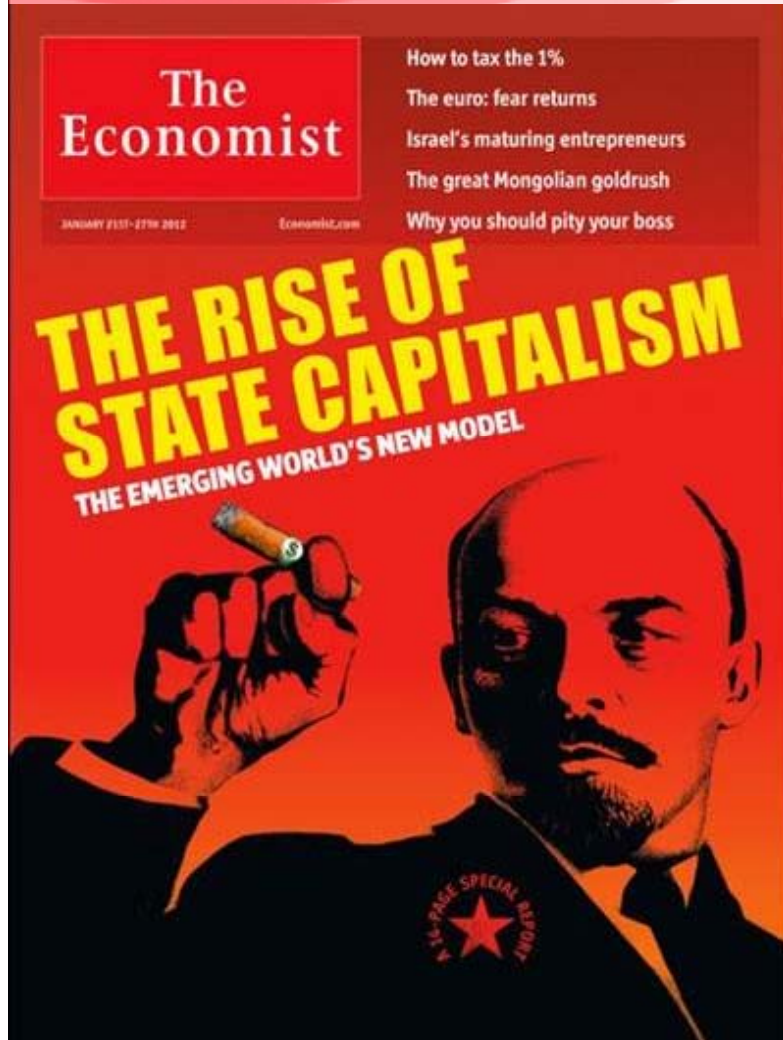
1. Unlock capital in capital-starved industries
2. Inject efficiency and discipline where none exists
3. Spread best practice of corporate governance
4. Catalysts for domestic financial and real-asset markets





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# Hybridization



- The influence and the role of public and private entities in the economy shifts constantly.
- None of the two approaches are successful in all circumstances => Airbus vs. MCI
- A stash of public funds is always a temptation



- 1) AP6, Sweden
- 2) Central Huijin, China
- 3) Emirates Investment Auth., UAE
- 4) Hellenic Republic Asset Development Fund, Greece
- 5) Infrastructure Fund, NSIA, Nigeria
- 6) Khazanah, Malaysia
- 7) Mubadala, UAE
- 8) Mumtalakat, Bahrain
- 9) National Development Fund, Iran
- 10) National Development Fund, Taiwan
- 11) National Development Fund, Venezuela
- 12) Oman Investment Fund, Oman
- 13) Palestine Investment Fund, PA
- 14) Public Investment Corporation, South Africa
- 15) Public Investment Fund, KSA
- 16) Russia Direct Investment Fund, Russia
- 17) Samruk-Kazyna, Kazakhstan;
- 18) State Capital Investment Corporation, Vietnam
- 19) Strategic Investment Fund, France
- 20) Strategic Investment Fund, Italy



- **Is it preferable for Norway to invest in foreign assets or to boost its economy?**
- **Is it riskier to pile up government bonds or to invest in biotechnology?**
- **Why should people pay taxes to fund foreign companies or**



**Intergenerational  
transfer is giving way  
to domestic concerns  
economies**

**Is there reason for  
concern?**





# Home bias?

- The Mystique of Diversification
- Long term investment are a bet on the synergies between human and institutional capital
- Domestic investments in most SDF countries have higher expected returns and lower management costs

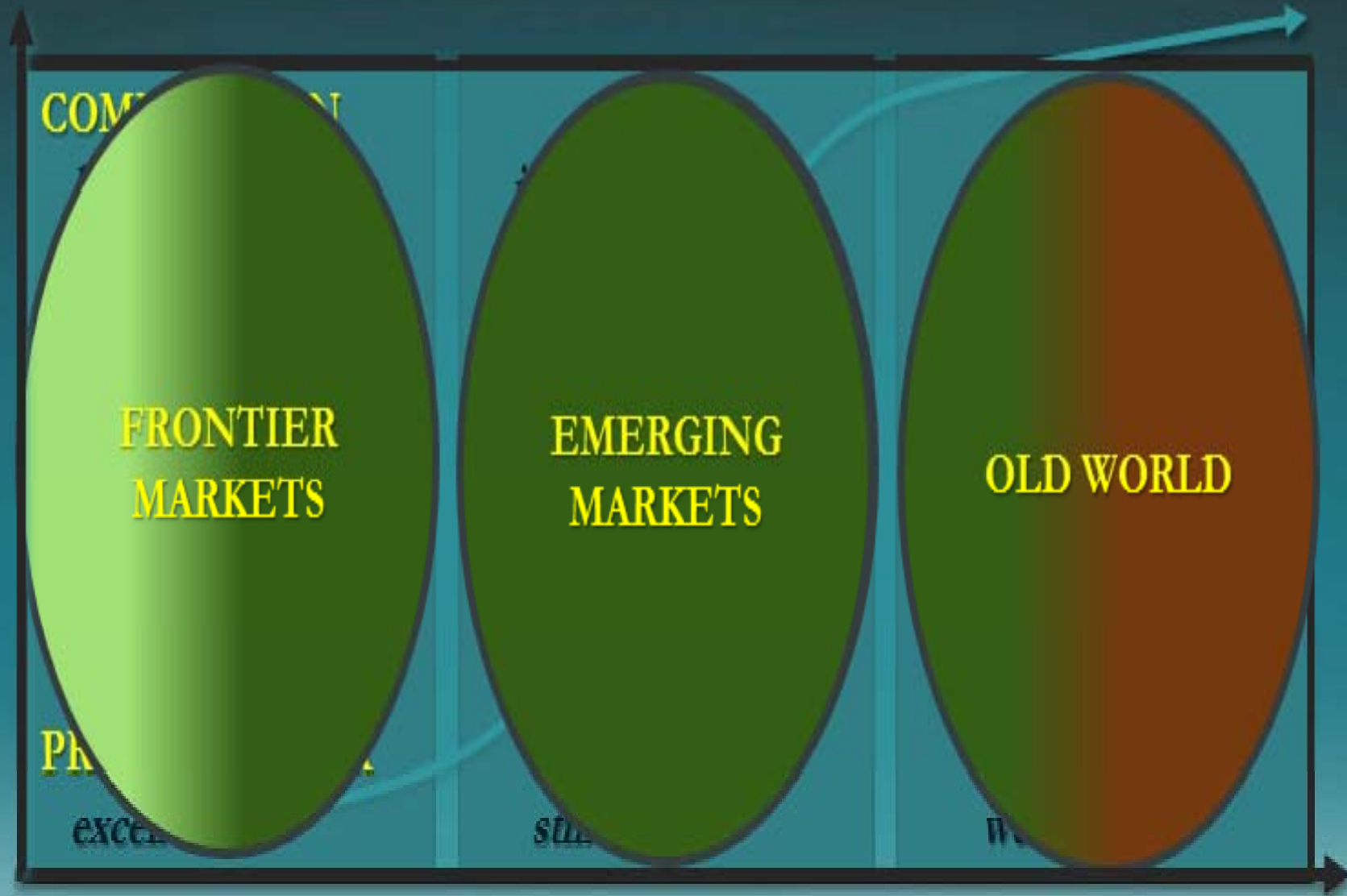


# Six Killer Applications

- Political and economic competition
- Rule of law
- Scientific revolution
- Modern medicine
- Education
- The work ethic

*Institutional  
Capital*

*Human  
Capital*





- The investment must generate high returns (otherwise the investments should be done via the state budget);
- It must not crowd out the private sector (i.e. no real estate)
- Leverage foreign capital through co-investment from abroad to maximize the impact and reduce the risk of interference





- SDFs provide a point of contact for foreign investors in search of reputable partners
- SDFs might provide an interface with local policy makers, regulators and civil servants.
- The SDF must have a robust governance framework that can stand up to foreign due diligence. Indeed, if this fund is going to originate deals locally and bring co-investors alongside, it needs to be able to prove that it is in fact doing what it says it's doing.
- The SDF also must develop trust through regular transparency and accountability



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# Thank You

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